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UNITED STATES DEPARTMENT OF AGRICULTURE
Production and Marketing Administration

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ANNUAL REPORT OF THE DAIRY BRANCH
Fiscal Year 1949

The work of the Dairy Branch during the past fiscal year covered a wide variety of activities, including price supports, procurement, marketing research, and the regulation of milk handling under the Federal orders. These programs are outlined under the nine general groupings^{as} set forth below:

I. Marketing Agreements and Orders

Federal orders to regulate the handling of milk (issued under authority of the Agricultural Marketing Agreement Act of 1937, as amended) were in effect in 30 marketing areas in the United States during the fiscal year 1949. Approximately 140,000 producers, delivering about 16 billion pounds of milk, valued at about \$720 million were subject to such orders. These data, with a breakdown by markets are shown in table 1.

Considerable interest in marketing agreement and order programs was evidenced in a number of markets not previously under regulation. Hearings on proposed orders were held in the Lima, Ohio, and Knoxville, Tennessee, markets, and an order for Lima has been issued, effective as of August 1, 1949. Order proceedings are nearing completion with respect to a proposed order for Knoxville, as well as one for the Rockford-Freeport, Illinois, area on which a hearing was held in June 1948. A hearing is scheduled to be held at Springfield, Massachusetts, on July 11 on a proposed order for that market, and preparations have been made for a hearing tentatively scheduled for the latter part of July on a proposed order for Worcester, Massachusetts. Other markets which inquired during the year into the possibility of Federal regula-

tion include: Akron, Ohio; Cedar Rapids, Iowa; Detroit, Michigan; Fort Smith, Arkansas; Jackson, Mississippi; Milwaukee, Wisconsin; New England (urban area of Massachusetts and Rhode Island); Oklahoma City, Oklahoma; Southern Illinois; Springfield, Missouri; and Washington, D. C. A renewed inquiry was made respecting the possibility of Federal regulation of evaporated milk plants in selected areas of the country.

A total of 37 public hearings (including reopened hearings) were held to consider new orders or amendments to existing orders. As a result of these hearings, or of hearings held the previous year, 43 amending orders, one of which related to 27 markets, were issued during the year. Eight orders were issued to suspend portions of orders.

Four public meetings were called by market administrators, pursuant to requirements of the Administrative Procedure Act, to consider proposed changes in their rules and regulations under various milk orders. Five amendments, (one of which was temporary), to market administrators' rules and regulations were issued during the year.

The Secretary issued 17 determinations respecting the qualification of cooperatives. Fifteen new applications to participate in order activities under various milk orders were received from cooperative associations. On June 30, action was pending on (a) 16 applications for qualification under various milk orders, (b) 1 application for qualification under the Capper-Volstead Act, (c) 4 cases where market administrators had suspended cooperative payments, and (d) 1 application for voting purposes.

Fourteen petitions were filed by handlers for ruling by the Judicial Officer on order provisions under Section 15 (A) of the Act. Six decisions or dismissals were issued on petitions filed during the year or pending from

1949

former years, and on June 30, 1949, action was pending on 36 petitions.

Nineteen court cases were filed by handlers or by the Government, action was completed on 13 cases, and on June 30, 1949, action was pending on 21 cases commenced during the past year or pending from former years.

An important court decision rendered during the year was:

Stark v. Wickard, C 12944, Boston Order. On February 24, the local District Court ruled that the Secretary exceeded his statutory authority in providing for cooperative payments under the Boston order. The Department of Agriculture has requested the Department of Justice to appeal this decision.

II. School Lunch Activities

Milk and its products continued to be included in the school lunch program. The Department purchased 13,924,980 pounds of process Cheddar cheese and 9,234,900 pounds of nonfat dry milk solids for direct distribution to schools pursuant to Sec. 6 of the National School Lunch Act. These quantities supplemented the supplies of milk and other dairy products purchased by the local school agencies with Federal and State funds made available to them for the purposes of the Act.

III. Dairy Price-Support Programs

Provisions of the Steagall Amendment (Section 4(a) of the Act of July 1, 1941, as amended) and the Agricultural Act of 1948 required the support of prices to producers for milk and butterfat at not less than 90 percent of parity through December 1948 and at 90 percent of parity during the calendar year 1949.

Milk and butterfat prices were well above parity during most of 1948. Market prices of dairy products and prices to producers for manufacturing

milk and butterfat, however, declined sharply late in 1948 and early in 1949, and two support actions were taken.

On February 8, 1949, a program was announced to support prices to producers for butterfat, primarily in farm-separated cream, at a national average of 90 percent of parity during 1949, by market purchases of butter on which butterfat prices to producers are based. The announced carlot purchase prices for U. S. Grade A butter at any location were 59 cents per pound for delivery before September 1, 1949, and 62 cents for delivery on and after September 1. The announced purchase prices for butter of U. S. Grade B were two cents lower in each period. The seasonal differential in the announced purchase prices were designed to encourage normal commercial storage of butter. Ninety percent of the U. S. average parity price of butterfat at the start of the program was 58.5 cents per pound. The actual U. S. average price to producers remained above that level through June 1949.

On April 14, 1949, an additional program was announced to support prices of milk going into manufacturing uses during 1949 at a national average of 90 percent of the parity equivalent price, by market purchases of nonfat dry milk solids, in addition to the purchases of butter previously announced. The announced purchase prices for nonfat dry milk solids were 12.25 cents per pound for spray and 11 cents for roller type solids for delivery before September 1, 1949, and 12.75 for spray and 11.50 cents for roller on and after September 1.

The parity equivalent price of manufacturing milk was determined to be 88.5 percent of the U. S. average parity price of all milk sold by farmers to manufacturing plants and fluid milk dealers. This percentage was based

on the average relationships during the recent $2\frac{1}{2}$ -year period from the end of price controls on June 30, 1946, to December 31, 1948. Ninety percent of the parity equivalent price when the additional program was announced was \$3.14 per hundred pounds of milk of annual average butterfat test. The actual U. S. average price of manufacturing milk, adjusted for the seasonal differentials in announced butter and nonfat solids purchase prices and the seasonal variation in butterfat test of milk, approximated the support level through June 1949.

Purchases under the butterfat and manufacturing milk programs through June 30, 1949, totaled 7,980,567 pounds of butter and 125,237,412 pounds of nonfat dry milk solids. These products were held in storage at the end of the fiscal year and were available for sale in the domestic markets at not less than the purchase prices plus storage and other carrying costs. They also were available for school lunch uses and for sale to agencies administering foreign programs.

During the fiscal year ending June 30, 1949, the Branch purchased the following supplies of creamery butter and nonfat dry milk solids under price support programs:

<u>Product</u>	<u>Quantity 2/</u>
Creamery Butter	7,980,567 lb.
Nonfat Dry Milk Solids	
(a) Spray Process	65,576,850 lb.
(b) Roller Process	<u>50,710,562 lb.</u>
Total	125,237,412 lb.

IV. Agricultural Supply Programs

The Dairy Branch participated in the development of programs for the procurement of dairy products for export to European countries and to areas under military occupation.

2/ Includes amendments and adjustments, corrected through July 1, 1949.



Under these programs CCC purchased the following quantities of dairy products during the fiscal year for the United Nations International Children's Emergency Fund, the U. S. Army for civilian feeding in occupied areas, and for several European countries that received financial aid under the Economic Cooperation Act but were not prepared to buy through commercial channels; evaporated milk 1,278,665 cases; dry whey solids 352,000 pounds; dry whole milk 5,056,770 pounds; nonfat dry milk solids 206,616,093 pounds; including 55.7 million pounds purchased for shipment July through December 1949.

V. Foreign Assistance Programming

The Branch assembled and analyzed information on current and prospective supply and price conditions for the various dairy products for use in the development of ECA programs. During the year, approximately \$115 million were authorized by ECA for the procurement of dairy products for overseas shipment from Western Hemisphere countries, including about \$105 million for supplies originating in the United States.

In accordance with the provisions of the Foreign Assistance Act of 1948, recommendations were developed regarding determinations required by the Secretary of Agriculture, in connection with "surplus agricultural commodities" and the use of ECA funds for the procurement of dairy products in countries other than the United States.

VI. Dairy and Poultry Market News Service

During the past fiscal year the Market News Service was expanded to include new areas, and was adjusted to meet changed conditions in existing services.

With the use of joint Federal and State funds a new field office was established at Jackson, Mississippi. The Mississippi service provides coverage by telephone of principal assembly points in the State regarding local prices paid for eggs and poultry. With the exception of Jackson proper, the information is released on a State basis. A mimeographed daily market report carries the above information plus other information received via leased wire from out-of-state markets which are of local interest.

Another entirely new project is the reporting of prices paid for live poultry f.o.b. farm and f.o.b. processing plants in the New England area adjacent to Boston. This information is assembled by telephone daily through the Boston office.

The following are examples of expansion which took place in previously established offices during the year.

Atlanta, Georgia - The reporting of daily prices of dressed poultry and shell eggs to retailers (jobbing prices) was inaugurated. The shell egg reports supplement information regarding prices paid for eggs f.o.b. Atlanta.

Chicago, Illinois - Evaporated milk was added to the list of products for which prices are reported at Chicago. The reporting of casein prices at Chicago was discontinued, due to relatively small volume and limited sources of information.

Montgomery, Alabama - The reporting of prices by counties was discontinued, and specific market centers indicated. Dissemination of market news was greatly increased through the organization of an extensive network of radio stations within the State. Other information of an agricultural nature is also disseminated through this outlet.

New York, New York - Price reporting on dressed poultry was extended to include dry-packed as well as ice-packed. A more uniform terminology and reporting procedure was adopted for the reporting of the live poultry market at the Live Poultry Terminal in Long Island City. This was a cooperative project with the New York State Bureau of Markets and the New York City Department of Markets.

San Francisco, California - Arrangements were completed to include rail shipments of cheese and dressed poultry in the weekly report of carlots of butter and eggs moving to the Pacific Coast from the midwest. An arrangement was made with the California Department of Agriculture to obtain reports of truck shipments entering the State. This information is available through the inspection (fruits and vegetables) stations operated by the State at all points of entry.

Seattle, Washington - The State Legislature in Washington during the last session provided funds for a cooperative project which will place the dairy and poultry market news at Seattle on a full time instead of a part time basis. A new cooperative agreement was prepared and has been approved, and action is now under way to appoint additional personnel and proceed with a well rounded program in the local market.

Despite a desire to keep mailing lists at a minimum in order to reduce costs, they continue relatively large. Approximately 20,000 mimeographed reports are mailed daily from the various field offices. Dover, Delaware and Fort Worth, Texas offices depend entirely on press and radio outlets. Tabulation of some 14,500 mailing list requests received during the year from persons and firms which indicated the nature of their business, shows the following distribution:

Analysis of Dairy and Poultry Market News Mailing Lists

<u>Type of Business</u>	<u>Number</u>	<u>Percentage of Total</u>
Producers & Cooperatives	4,492	30.94
Dealers	4,171	28.73
Processors	2,418	16.66
Retailers	798	5.50
Hatcheries	465	3.20
Others	<u>2,172</u>	<u>14.97</u>
Total	14,516	100.00

The number of newspapers and trade papers which publish prices and other material from market news service reports is not known, but through this outlet, and some 800 radio stations, such information is reaching many thousands of persons who do not receive mailed reports. It has been the policy to encourage distribution through radio and press, because of additional coverage and because of substantial savings of paper and labor.

VII. Standardization

With the increasing interest in the dairy industry in grading and quality improvement, added emphasis was placed on standardization work. Studies of factors affecting the quality of milk and its products and of the results of official grading of large quantities of dry milks were undertaken to aid the development and revision of standards for grades of milk and its products. Suggested U. S. standards for grades of manufacturing milk were prepared and submitted to State agencies and industry organizations for review and recommendations, and discussions were held with several industry organizations. Proposed U. S. sediment standards for milk and its products were prepared and notice of intent to issue them was published in the Federal Register near the year's end. Specifications were prepared for dried whey solids procured for Army use in occupied areas.

VIII Research Programs

With respect to its work under the Research and Marketing Act, the Dairy Branch has carried forward its studies on "Changes in market outlets for milk and cream sold by farmers" and on "Marketing organization and price structure for milk and its products." In addition, the Branch has undertaken several new projects, including "A study of margins in distributing milk and milk products," "A study of the yield of dairy products from a unit quantity of milk," and "A study of the effect of certain regulatory measures upon the quality of milk."

Some of the specific studies made by the Branch have been completed during the Fiscal Year ending June 30, 1949, while the other older studies have been carried well along toward their expected completion.

The major projects continued or initiated last year are:

RM:c-114 - "Study of changes in market outlets for milk and cream sold by farmers." Work was concentrated on the collection of data on the sales of milk, cream, and skim milk drinks in 25 markets which are under Federal orders. These data were obtained, and adjustments were made in them, to account for changes in the marketing area. A study of population changes in these markets was also undertaken to enable sales data to be related to population changes.

RM:C-384 - "Study of margins in distributing milk and milk products."

Preliminary work was done in one market, under Federal order, to explore the possible problems and limitations of the project.

RM:C-409 - "Study of the effect of producer returns and marketing margins of basing prices paid for dairy products and for milk on central market quotations for butter and cheese."

RM:c-410 - "Study of yeild of dairy products from a unit quantity of milk."

The object of this study is to obtain authoritative and practical yield values for dairy products.

RM:c-460 - "Marketing organization and price structure for milk and its products." Several different studies have been undertaken within this project. A study on flexibility of operation within dairy manufacturing plants was completed. Its purpose was to describe the degree of flexibility of operation within U. S. dairy plants during 1944, and to establish a base for future measurement of intra-plant flexibility. Almost completed was a study of the comparison of prices paid by butter-powder and by cheese plants with prices for milk for similar uses under the Chicago Federal Order. Under this order surplus milk prices are based upon the prices of butter and nonfat dry milk solids. It is significant, therefore, to test the order prices with those found in plants within or near the Chicago milkshed not subject to the order. This was done for 15 plants in Wisconsin, for the years 1942, 1946, 1947, and 1948. The Branch has also been making a study of the history of Federal orders. This study, starting with five markets, will ultimately include the majority of markets under Federal milk marketing orders. Complete records of all changes in the orders and the reasons for such changes are being assembled, and an attempt is being made to appraise any changes in the marketing system which occurred during the period of regulation.

RM:c-462 - "Study of the effect of certain regulatory measures upon the quality of milk." This is a new project, and a contract with the National Academy of Sciences has been consummated, under which the Academy will be responsible for carrying out the work to be done.

IX. Inspection and Grading of Dairy and Poultry Products

During the year the normal inspection and grading activities of the Branch were increased primarily by requests for grading dairy products in connection with price support and export programs. The Chicago Mercantile Exchange requested a shell egg grading service, and the Poultry Branch requested service in connection with the repackaging of dried egg powder.

The increase in the production of butter during the early months of 1949 and the price support program announced in March resulted in a sizable increase in the total amount of Federally graded butter during this period. Federal grading of butter in connection with the Chicago Mercantile Exchange operations starting January 1, resulted in a considerable increase in the volume of butter graded in the Chicago area.

The volume of work in the Chicago Laboratory was increased. Testing of non-fat dry milk solids was greatly expanded as a result of large Government purchases, though the volume of testing of evaporated and sweetened condensed milk declined from previous years.

The expansion of cheddar cheese grading for export and continuous inspection programs in cheese processing plants created a necessity for setting up grading schools for the purpose of promoting uniform application of the standards and to acquaint members of the industry with standards covering dairy products.

In connection with the poultry grading activities, an increased quantity of poultry is being graded and individually identified with wing tags. The official labeling of shell eggs in cartons has expanded to a majority of the States in which such grading programs are active.

Representatives of the Branch met with representatives of the Canadian Department of Agriculture, and in the course of discussions efforts were made to bring about greater uniformity between inspection requirements in Canada and those in this country.

COMPARATIVE STATEMENT OF INSPECTIONS AND/OR GRADING OF DAIRY
AND POULTRY PRODUCTS DURING THE FISCAL YEARS 1947, 1948 AND 1949

Commodity	: Units :	Fiscal Years		
		1947	1948	1949 (partly esti- mated)
Butter	: lbs. :	166,871,675	244,132,830	325,773,650
Cheese	: lbs. :	160,399,763	103,036,843	200,191,075
Eggs	:cases :	12,633,547	14,263,920	12,934,523
Poultry (Shipping point and terminal market)	: lbs. :	154,039,125	171,246,700	187,133,303
Dressed poultry (Inspected for condition and whole- someness)	: lbs. :	228,408,301	252,576,401	302,879,723
Live Poultry	: lbs. :	1,267,363	2,094,368	2,570,218
Turkeys (dressed)	: lbs. :	92,814,568	102,052,468	98,421,109
Frozen Eggs	: lbs. :	92,588,250	41,488,122	32,217,662
Dry Milk	: lbs. :	353,846,059	211,005,290	517,468,068
Evaporated Milk	:cases :	8,164,523	5,021,478	3,677,070
Dried Eggs	: lbs. :	126,693,376	38,227,127	120,956,880
Processed Eggs	: lbs. :	676,662,174	301,480,352	485,047,740

The amount and disposition of fees earned under this program, including earnings under joint programs of inspection and market news are:

	<u>Acct. or Appropriation No.</u>	<u>Fees Earned for Deposit</u>
Miscellaneous Receipts	124310	\$15,073.33*
Market Inspection Farm Products	1294800(48).020	13,411.22*
Market News	1294800(48).010	695.40

*Partially estimated for May and June

Table 1.- Estimated number of producers, estimated volume of pooled milk, and estimated total value of pooled milk at basic butterfat test, in fluid milk markets under marketing agreement programs, July 1, 1948 to June 30, 1949

Market	Basic butter- fat test	Estimated average number of producers	Estimated annual volume of pooled milk	Estimated value of pooled milk at basic test
	Percent	Number	1,000 lbs.	Dollars
Boston, Mass. (201-210 mi. zone)	3.7	13,621	1,419,393	69,763,166
Chicago, Ill. (70-mile zone)	3.5	20,319	3,191,373	124,721,616
Cincinnati, Ohio	3.5	5,500	353,954	15,233,664
Cleveland, Ohio	3.5	8,113	641,966	27,735,507
Clinton, Iowa	3.5	137	13,729	543,209
Columbus, Ohio	3.5	2,424	200,895	3,567,499
Dayton-Springfield, Ohio	3.5	2,442	217,554	9,160,072
Dubuque, Iowa	3.5	211	26,149	1,031,508
Duluth-Superior, Minn.-Wis.	4.0	1/1,180	37,006	3,977,545
Fall River, Mass.	3.7	238	36,210	2,360,106
Fort-Wayne, Ind.	4.0	969	71,165	3,026,821
Kansas City, Kans.-Mo.	3.8	2,345	241,398	10,533,787
Louisville, Ky.	3.8	1,856	217,942	9,656,228
Lowell-Lawrence, Mass.	3.7	906	93,713	5,458,579
Minneapolis-St. Paul, Minn.	3.5	1/5,622	1/613,674	1/27,047,217
Nashville, Tenn.	4.0	705	99,010	4,556,705
New Orleans, La. (61-70 mile zone)	4.0	2,570	198,236	10,263,843
New York, N. Y. (201-210-mile zone)	3.5	45,624	6,023,958	274,059,933
Omaha-Council Bluffs, Nebr.-Iowa	3.8	2,165	126,075	5,373,693
Paducah, Ky.	4.0	222	16,058	736,457
Philadelphia, Pa.	4.0	9,130	1,016,671	54,745,272
Quad Cities, Ill.-Iowa				
Grade A	3.5	623	77,798	3,237,832
Non Grade A	3.5	846	43,436	1,399,422
St. Louis, Mo.	3.5	3,342	361,126	16,032,741
Sioux City, Iowa	3.5	526	32,263	1,340,381
South Bend-La Porte, Ind.	3.5	790	78,467	3,200,678
Suburban Chicago, Ill. (70-mile zone)	3.5	2,638	268,118	10,900,204
Toledo, Ohio	3.5	2,142	155,656	6,581,832
Topeka, Kans.	3.8	1,336	31,933	1,374,134
Tri-State: (Ky., Ohio, & W. Va.)				
Huntington District Plants	3.5	734	56,805	2,564,438
Other than Huntington Dist. Plants	3.5	793	64,007	2,776,194
Wichita, Kans.	3.8	567	57,703	2,698,931
Total, 30 markets		140,039	16,136,398	720,969,064

1/ For calendar year 1948.

Compiled by the Dairy Branch, PMA, from reports of the market administrators.

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